

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



Reserve  
a S 21  
A83B4

2007  
STATEMENT OF bc126  
bc23b  
SECRETARY BOB BERGLAND

Before The

Subcommittee on Agricultural Production, Marketing,  
and Stabilization of Prices

The Committee on Agriculture, Nutrition, and Forestry [3, 4]

May 2, 1978

Mr. Chairman and Members of the Committee:

I want to thank the Chairman and Members for moving expeditiously to hold these hearings on a matter of major personal concern to the President and to me.

It is absolutely essential that together we provide the farmers of the United States with a comprehensive, meaningful, and efficient insurance plan to protect their massive economic investments in food and fiber production.

During my confirmation hearing, I said that as far as I was concerned, the disaster programs available to the farmer today are a disaster. Even though there were modifications made in the 1977 Act to correct some of the defects, I continue to believe that we must do much better. There is good reason to question a disaster delivery system that is not centralized, or coordinated, or designed to serve all farmers on an equal basis.

Today, we're at another crossroads in food and agriculture policy. There are two choices as I see it. One is to offer an amendment to the 1977 Act and modify the existing disaster programs. The other is to move as rapidly as possible to adopt an insurance plan that will correct the inequities, the duplications, and the inadequate levels of coverage that abound in present programs. The first choice is unacceptable to the Administration because it does not address the basic problems facing farmers. Now is the time for action on the second alternative. We cannot afford to wait another year since the disaster payment provisions of the 1977 Act expire with the 1979 crop year.

Mr. Chairman, there are several good reasons why farmers need our proposed Farm Production Protection Act.

First, the Congress and the Administration have worked together to forge a comprehensive food and fiber policy. A key part of this policy recognizes the impact of weather on farmers' ability to produce abundant food and fiber. This policy also recognizes the need to protect farm prices and farm income from falling unacceptably low. Yet another important part of our policy is the recognition that food and fiber production must be ensured for the health and well being of our agricultural economy and the economy of this nation.

Second, it is ironic that in 1977, 2,000 of the 3,000 counties in the United States were designated disaster areas for the purpose of Farmers Home Administration loans, even though 1977 crop production was at a near record level. Further, even though the program did help some farmers, many others were not eligible for the low-interest loans because they could not meet the credit tests. Other farmers were not eligible for this type of assistance because their county was not designated for this disaster aid.

Third, in the past year the Administration has undertaken a thorough study of the entire question of disaster aid and assistance. We've consulted closely with the Congress. We've met with members of the insurance industry. We've talked to the old pros who used to have the position I now hold. We talked to farmers. We hired a private firm to obtain the best ideas and a comprehensive review of present and potential disaster protection. Their report has been made available to you. There is a clear need for an insurance program designed to cover the major costs of production of farmers.

Fourth, our plan moves the President's reorganization plans forward toward the goal of a better, more effective federal service delivery system. We don't believe that more than one disaster delivery system for farmers can be justified. It is the Administration's proposal that the duplicative programs of the Federal Crop Insurance Corporation, the "low yield" disaster payment program through ASCS, the Farmers Home Administration loans I spoke of a moment ago, and the farm disaster loan program of the Small Business Administration be consolidated into one insurance program. This will be an insurance program that can be counted on year-in and year-out by farmers throughout the United States.

Fifth, the program we are proposing is sound both from the standpoint of protection for farmers and the budget outlays by the Federal Government. We will offer this insurance protection in all counties and to all farmers, initially on 18 crops for which we have reliable data. This will cover almost 90 percent of the land planted to crops. Existing crop programs now insured under Federal Crop Insurance will continue until phased into the national program.

Current programs provide farmers with about \$7 billion in protection, at a cost to the Federal Government of about \$555 million a year. Disaster payments account for about \$450 million of the total, yet they are available only for six crops. Our program is expected to cost about \$542 million for the first year of a fully implemented program. Based upon 68 percent participation, it will provide about \$15 billion in protection, more than double that currently available and at less cost. As we gain experience, this program will be extended to other crops, to livestock, and to perils not covered by this original plan.

Sixth, farmers will have the choice of selecting the level of protection desired for each of the crops they produce. The premium will be based on the accepted insurance factors of level of protection chosen, the price per bushel chosen, and the risk involved on the particular farm, and this will vary for differing crops and regions.

Under this proposal, a farmer who chooses insurance coverage for 50 percent of his normal crop production would pay about half of the cost for that protection with the government paying the other half. If a farmer chooses 70 percent protection, he or she would pay most of the cost of the added 20 percent in protection. To obtain 90 percent protection, a farmer would pay all of the cost for the final 20 percent protection.

The premium rates charged will relate to risks. Farmers in basically low risk areas will not be subsidizing farmers who are in historically high risk areas under the new program. This is an extension of the principle of equity.

Seventh, by utilizing the existing USDA delivery system--usually through the ASCS county offices--in combination with private insurance sales agents, we will be able to provide the type of service most familiar to farmers.

Eighth, this program complements existing private crop insurance plans. Insurance agents will be able to work with farmers in devising the coverage that best meets their needs. Past experience indicates that the increased insurance awareness that will result from this program will also result in an expanded use of hail and other types of insurance sold by private companies. After the new program has been tested, we will seek ways of relying more heavily upon the private insurance system.

To summarize, the insurance program principles that the Administration supports are:

1. The consolidation of existing duplicative programs to increase the protection available to farmers per dollar of federal expenditures.

2. The Federal subsidy should be used mainly to share premiums for the lower level of protection with the producer paying most of the premium for higher levels of protection.
3. The program should be neutral in its effect on farm size, location of production, and the commodity mix.
4. To the extent feasible, individual production histories should serve as the guide for setting levels of protection and premiums.
5. Producers should have the choice of the protection levels desired.
6. The program must be affordable for most producers and thereby encourage a high level of participation.
7. The private insurance industry should be involved to the maximum extent feasible.
8. The insurance program should be expanded to other crops and livestock as soon as practicable.

Legislation that incorporates these principles will be supported by the Administration.

As I said initially, the Administration believes there is only one realistic course of action. It is to move forward on this proposal as rapidly as possible to ensure the future productivity of farmers and the entire food and fiber system.

Thank you.

6017

USDA 1264-78

PROCUREMENT SECTION  
CURRENT SERIAL RECORDS

JUL 19 1978

U.S. DEPT. OF AGRICULTURE  
NAT'L. AGRIC. LIBRARY  
RECEIVED